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SUBJECT: SPAIN: SCENESETTER FOR DEPUTY SECRETARY VISIT TO
MADRID

Classified By: Charge d'Affaires J. Robert Manzanares,
reasons 1.4(b) and (d).

SUMMARY

11. (C) Your visit to Madrid comes after a difficult year in our bilateral relationship but also at a time when we are gradually moving relations to a more positive track. The Madrid train bombings in March 2004 came as a terrible shock to a country that felt it was accustomed to dealing with terrorism (in the form of its 30-year conflict with ETA) and considered itself a bridge between the Islamic world and the West. Voters punished the then-ruling Popular Party after the attacks out of resentment over President Aznar's decision to ignore strong public opposition to the deployment of Spanish forces to Iraq, and for the government's mishandling of the investigation into the train bombings. A year later, President Zapatero's Socialist Party has consolidated its control at the national level and the Popular Party remains very much on the defensive.

12. (C) At the international level, Zapatero is working to repair relations with the USG damaged by Spain's sudden and poorly coordinated pullout from Iraq and by the Spanish government's sharp rhetoric against U.S. policy in Iraq. While the public strongly supported Zapatero's withdrawal of troops from Iraq, the Socialists' mishandling of relations with the U.S. exposed the GOS to media and opposition attacks. We are slowly putting relations back on track, though differences remain on some issues, such as Spain's unwillingness to permit the deployment of Spanish NATO officers to support NATO operations in Iraq. Our objective is to work with Spain on issues of importance to us and, where possible, to steer the Zapatero government away from actions that undermine USG policy objectives. Bilateral cooperation against terrorism remained strong despite turbulence in other aspects of the relationship, as did military to military relations. Spain continues to provide U.S. forces full access to its naval base at Rota and its air base at Moron, as well as providing blanket flight clearances for U.S. forces moving to and from Iraq and Afghanistan. Spanish Foreign Minister Miguel Angel Moratinos and Minister of Defense Jose Bono are scheduled to visit Washington this spring for meetings with Secretary Rice and Secretary Rumsfeld, and the Ministers of Interior and Justice are arranging meetings in Washington as well. End Summary.

A YEAR AFTER THE ATTACKS

13. (C) You arrive in Spain just over a year after the Madrid train bombings of March 11, 2004 killed 191 people and wounded over 1600. It was the worst terrorist attack ever in an EU country and shook a nation that felt it was accustomed to dealing with terrorism as a result of its 30-year conflict with ETA. Attorney General Alberto Gonzales's attendance at the one-year commemoration of the bombings symbolized USG support for the victims of the attack and our respect for the Spanish people. Secretary Powell's visit to Spain in the wake of the 3/11 attacks was appreciated as a positive gesture, but bilateral friction between the USG and the Zapatero government since that time has generated a public perception that the USG is punishing Spain for Zapatero's actions. Both the USG and the Zapatero government have an interest in putting relations on a more positive track and your visit is a signal that despite our differences we value Spain as an ally.

SOCIALISTS IN CONTROL OF NATIONAL GOVERNMENT

14. (C) The 3/11 attacks and their aftermath were a turning point in modern Spanish politics. After taking office in 1996, President Aznar led his center-right Popular Party (PP) to unprecedented power at the national and regional level. Although he was not a candidate in 2004, the PP was poised to win its third national election in a row, despite widespread dissatisfaction with Aznar's decision to contribute forces to

U.S.-led operations in Iraq. The Madrid train attacks shocked the Spanish public and triggered an outpouring of grief and sadness, but then anger when the PP government continued to blame ETA for the bombings after evidence arose pointing to Islamic radicals as authors of the attacks. The bombings allowed the Socialists to capitalize on simmering resentment of Aznar's decision to send troops to Iraq, leading to a huge voter turnout and a Socialist victory.

15. (C) Zapatero moved quickly on his pre-election promise to withdraw Spanish forces from Iraq, a move widely supported by the Spanish public. He then pressed forward on a social agenda that appealed to Spain's center-left electorate (gay rights, curbing the power of the Catholic Church, better relations with regional governments in Catalonia and the Basque Region) further broadening the Socialists' appeal. Aznar and the PP, meanwhile, remained unapologetic for their handling of the 3/11 bombings and declined to sideline leaders discredited by their actions in the wake of the bombings, further eroding their public support. Zapatero's main internal challenge is an effort by the Basque Regional Government (comprised of moderate Basque nationalists opposed to ETA violence) to increase its autonomy from Spain's central government. This is a potential powder keg since most other regions of Spain strongly oppose increasing the Basque Region's already considerable independence, unless they too are given greater independence. Zapatero now enjoys an approval rating of over 60 percent and, barring a major setback, is likely to remain in power for at least one term (until 2008). The Socialist Party (PSOE) as a whole also gets much higher marks today than the PP opposition.

STRAINED BILATERAL RELATIONS

16. (C) The first eleven months of the Zapatero administration have proven among the most difficult in recent U.S.-Spanish history. Throughout the most frustrating episodes, the USG won points for sticking to the high road and refusing to be baited into public disputes with the GOS. Despite our efforts, senior GOS officials continued to make unhelpful remarks throughout 2004, particularly regarding the U.S. role in Iraq. Spain has also irritated us by leading an effort to ease EU pressure on Cuba and engaging the Chavez government in Venezuela, mainly to satisfy leftist supporters and to contrast Zapatero's emphasis on "dialogue" with Aznar's tougher line.

17. (C) The turning point in Zapatero's approach to the U.S. came when former Ambassador Argyros declined to attend Spain's October 12 national day parade, putting the public spotlight on our disappointment with the tone and direction of Spanish foreign policy. This episode undermined Spanish government assertions in the press that Zapatero's policies had not strained ties with Washington. This exposed Zapatero to withering opposition criticism that he had scuttled one of Spain's most important bilateral relationships and relegated Spain to second-class status. While polls consistently demonstrate widespread hostility among Spaniards to USG foreign policy, the public still expects the GOS to maintain healthy working relations with the U.S. Zapatero has responded accordingly and has initiated moves to repair ties with the USG.

RECENT POSITIVE GESTURES

18. (C) Since November, Spanish officials at all levels have made clear their desire to restore strong bilateral ties, with the Foreign Ministry's Director General for Foreign Policy (under secretary equivalent) telling us bluntly, "We want back in." In response, we've told our Spanish contacts that we are prepared to move forward on issues of bilateral importance and that unambiguous, positive steps by Spain would be the best signal to the USG that they too were ready to move forward. Spain subsequently agreed to USG requests that it lead a Provincial Reconstruction Team and a Forward Support Base in western Afghanistan as part of NATO's mission in that country, issued positive statements regarding the Iraq elections, and contributed \$20 million to the Iraq elections fund. Spain also continues to disburse \$300 million in assistance to Iraq pledged during the 2003 Iraq Donors Conference in Madrid, and has agreed to train Iraqi security forces in Spain. We expect Foreign Minister Moratinos to highlight these moves during his April 15 meeting with Secretary Rice.

19. (C) The USG has welcomed these steps, while making clear that we remain troubled by mixed signals from Spain, such as continued characterizations of the conflict in Iraq as "an illegal war" by senior Spanish officials. Separately, we want Spain to lift its caveats on the deployment of Spanish NATO officers to participate in NATO missions, including in Iraq. Also, Zapatero is negotiating to sell naval vessels to

Venezuela to support Spain's troubled shipbuilding industry and Spain continues to press for closer EU ties with Castro. Despite these differences, we believe relations are moving in a positive direction and we want to move ahead in our significant bilateral agenda with Spain.

COUNTER-TERRORISM COOPERATION

110. (C) A critical element in our bilateral relationship is our high level of cooperation on law enforcement and counter-terrorism issues. Spain remains an active front in the War on Terror. Investigations since the 3/11 attack have confirmed suspicions that there is a large pool of Islamic extremists throughout the country, including one cell that plotted attacks against Spain's High Court and other targets during the latter half of 2004. ETA also continues to carry out small-scale bombings, though it has been greatly weakened in the last year by arrests of key leaders in Spain and France. Spanish authorities arrested 117 suspected Islamic terrorists during the year, routinely sharing with USG officials information derived from those arrests. A DOJ team met with Spanish counterparts in December to identify mechanisms for improving information sharing and judicial cooperation, particularly on counter-terrorism investigations. Attorney General Gonzales and Minister of Justice Aguilar issued a joint statement on March 11, 2005 committing the USG and GOS to closer cooperation on counter-terrorism investigations. Aguilar and Minister of Interior Jose Antonio Alonso had excellent meetings with Attorney General Gonzales. Alonso will travel to Washington April 18 and Aguilar will visit May 5.

MILITARY COOPERATION

111. (C) Military to military relations remain very strong despite the change in government; the Zapatero government has continued to provide broad access for U.S. forces to Rota Naval Base (on Spain's southern coast) and Moron Air Base (southwest Spain). There are currently over 2500 active duty U.S. military stationed at the two bases, the vast majority at Rota. The American presence at the bases tops 5,000 when U.S. civilians and dependents are included. Zapatero has also left untouched Spain's practice of providing blanket flight clearances for U.S. military aircraft, including in support of operations in Iraq and Afghanistan. The Spanish military is still smarting from its ignominious withdrawal from Iraq and, largely as a result of the Iraq withdrawal, is very unhappy with the Socialist government. The Spanish armed forces strongly support close relations with the U.S. and consider Zapatero's distancing from the U.S. a profound error. Minister of Defense Bono will meet with Secretary Rumsfeld May 3 in Washington.

BROADER MIDDLE EAST

112. (C) The Zapatero government may tell you it has much to offer in finding solutions to the issues that face the Broader Middle East because of Spain's proximity to the area and its experience with Islamic immigrants. FM Moratinos in particular touts his experience as the EU's Middle East envoy. The Spanish speak frequently of the 10-year commemoration of the EU's Barcelona Process, which will be held in Barcelona this October. In his speech at the 2004 UNGA, Zapatero announced a concept he called "The Alliance of Civilizations," a sketchy plan dealing with relations between the Islamic world and the West that remains very much undefined. We have told the Zapatero government that while we look forward to learning more about the Alliance of Civilizations, it is important that proposals for greater understanding and spreading democracy in the region are consistent with other initiatives, such as the G-8's Broader Middle East and North Africa Initiative.

ECONOMIC AND COMMERCIAL RELATIONS

113. (C) We have important commercial interests in Spain as well, with a business community that is staunchly supportive of U.S. investment and concerned that Zapatero's policies will lead to a decrease in U.S. business involvement. At every opportunity, we work to encourage a business-friendly environment in Spain.

114. (U) The GOS cooperates with the U.S. on terrorism finance issues. Working-level contacts have repeatedly sought information on pre-notifications. The GOS checks for assets upon receiving information from us, but to date has not found such assets. The Interior Ministry is working on implementing regulations to a terrorism finance law that will

enhance the government,s ability to freeze assets.

15. (U) Spain is an Airbus stakeholder. Recently, Iberia chose Airbus to replace a number of medium-sized jets despite extensive lobbying by the Embassy on Boeing,s behalf. With respect to the Airbus-Boeing subsidies dispute, Spanish interlocutors indicate that Spain lets the Commission formulate policy. Spain was pleased that the rice issue was recently satisfactorily resolved as the retaliation contemplated by the U.S. would have struck Spanish olive, clementine, and saffron exports particularly hard. Spain voted in favor of extending the reprieve on implementing the EU,s wood packing directive.

16. (U) Spain is not on the Special 301 list. However, we are working to improve respect for IPR in Spain. The GOS has agreed to participate in a U.S.-Spain IPR roundtable scheduled for the end of June or September. Commerce Assistant Secretary Lash will lead the U.S. delegation at this event. We are also working on agricultural biotechnology issues in Spain. The previous government was largely positive with respect to the technology. The current government,s environment minister is opposed. In particular, we are seeking to obtain approval for Monsanto's NK 603 variety, favorable Spanish votes on Commission proposals for biotechnology approvals (the Zapatero government has abstained on four important votes) and a rational co-existence decree.

YOUR VISIT WILL HELP KEEP RELATIONS ON POSITIVE COURSE

17. (C) The USG will not re-establish with Zapatero the deep and close relationship we had with the Aznar administration. However, we are currently moving towards a more productive course that achieves USG interests in Spain and in other regions. Your visit will help us emphasize to the Zapatero government and the Spanish people that despite our differences with the Zapatero administration, we continue to consider Spain a close and important ally and, provided Spain works with us, we can move ahead together on robust bilateral and multilateral agendas.

MANZANARES